

20 June 1968

MEMORANDUM FOR THE RECORD

SUBJECT: Foreign Service Annuity Adjustments - H.R. 16903

1. On 5 June 1968 H.R. 16903 was reported out by the House Foreign Affairs Committee. Among other things the bill amends the cost-of-living provision under the Foreign Service retirement system similar to Section 8 of H.R. 13705. The amendments go beyond the cost-of-living provision and include raising the maximum annuity from 70 percent to 80 percent of high 5 salary. A similar amendment is carried in H.R. 13705 but will not be covered by passage of Section 8 (cost-of-living) of the bill.

2. Amendments similar to those in H.R. 16903 have passed the Senate this Congress (S. 2003) and except for the fact that the House Foreign Affairs Committee has attached a liberalized retirement program for members of Congress, which might run into strong opposition, the bill has excellent chance for passage.

3. In connection with cost-of-living provisions, H.R. 16903 and H.R. 13705 differ in the following major respects.

a. H.R. 13705 picks up the 2 percent and 1 percent increase for 1965 and 1966 Civil Service retirees (P.L. 87-793) whereas H.R. 16903 does not.

b. H.R. 16903 (Section 4) requires the Secretary of State to submit recommendations concerning a possible reduction in annuity if the Consumer Price Index declines. A similar provision does not appear in H.R. 13705, nor does it exist in the Civil Service system. However, this is a contingency we should be prepared for, especially on the Senate side since this matter was raised on the floor of the Senate during the 89th Congress when consideration of similar legislation for the Foreign Service system led to the adoption of a similar provision.

c. H.R. 16903 (Section 3, page 3) provides a benefit to those annuitants not otherwise eligible for a particular cost-of living increase because they retired after the increase became effective. The amendment guarantees that under such circumstances the annuity will not be less than the annuity that would have been received had retirement occurred in time to receive the cost-of-living increase. A similar provision does not appear either in H.R. 13705 or the Civil Service system. However, a somewhat similar amendment for military retirees was adopted this Congress (P.L. 90-207). The deficiency corrected in the military system results from the fact that military retirement pay is computed upon pay at the time of retirement instead of averaged over five years as in the case of civilian retirees.

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